

HEALTH SERVICES AND DEVELOPMENT AGENCY
MINUTES
JULY 23, 2008

AGENCY MEMBERS PRESENT

Koella, Carl, III, Chair
Atchley, Bryan, Vice Chair
Caldwell, Gene, M.D.
Gaither, Keith, designee for the TennCare Director
Handorf, Charles, M.D.
Jones, Clark
Lammert, Gregory
Morris, John, designee for the Commissioner of Commerce and Insurance
Troy, Peggy
Weaver, Faye, designee for the Comptroller of the Treasury

AGENCY STAFF PRESENT

Hill, Melanie, Executive Director
Bobbitt, Melissa, Administrative Services Assistant III
Brogden, Reid, General Counsel
Christoffersen, Jim, Deputy General Counsel
Craighead, Alecia, Statistical Analyst III
Earhart, Phillip, Health Planner III
Farber, Mark, Assistant Executive Director
Wells, Phil, Health Planner III

GUESTS PRESENT

Altschuler, Keith, Ft. Sanders Medical Center
Archer, David, CEO, Saint Francis Hospital
Armstrong, Joe, State Representative
Ashin, Jeffrey, CEO, Metro Division, Mercy Health Partners
Askew, Jerry W., Sr. Vice President, Mercy Health Partners
Beehan, Tom, Mayor, City of Oak Ridge
Birch, Adam, HCA
Blair, Ron, President, Surgery Center Services of America
Bode, Edwin, Saint Francis Hospital
Brent, Michael D., Esq., Boulton, Cummings, Connors & Berry
Brotherton, Matthew, Kramer Rayson, LLC
Casteel, Marcia, Memorial Hospital
Corritore, Danell, Department of Health
Culp, Joe, Department of Health
Day, Edwin W.
Davis, Georgia, Covenant Health
Dovan, Thomas
Duncan, Bruce, National HealthCare Corporation
Elrod, Burton, M.D.
Felts, Ginna, Planning Associate, Strategy Development, Vanderbilt University Medical Center
Ferraro, S., Bass, Berry & Sims
Farris, Jim, M.D.
Foster, Malcolm, M.D., East Tennessee Heart Consultants
Galloway, M. Stewart, M.D.
Galyon, James T., M.D.
Glettes, Rudolph Christopher, M.D.

Gooch, Warren, Esq., Kramer Rayson, LLP
 Gore, Margaret, M.D.
 Gray, James R., M.D.
 Gregory, Luke, Vanderbilt University Medical Center
 Haaga, Sue Ellen, Vice President, Saint Francis Hospital
 Hallahan, Dennis, MD, Chairman, Department of Radiation Oncology, Vanderbilt University Medical Center
 Halloway, Ray
 Halsey, Laurie, Covenant Health Services
 Hardy, Parker, President/CEO, Oak Ridge Chamber of Commerce
 Harkness, Eric, Planning & Research Coordinator, Division of Health Planning, Finance & Administration
 Hickman, Waymon, Maury Regional Hospital
 Hill, Ronald, Vice President, Strategic Development, Vanderbilt University Hospital
 Hissam, Hollie, LBMC Healthcare Group, LLC
 Houchin, Barbara, Executive Director, St. Thomas Health Services
 Huggins, Mike, Tennessee Hospital Association
 Kennelly, Timothy E., M.S.
 Lafayette, Rick
 London, Debra K., CEO/President, Mercy Health Partners
 Lassiter, Trish, Covenant Health
 Laughlin, Donald E., COO, Saint Francis Hospital
 Lawson, Justin, Practice Manager, Elite Orthopaedics
 Lawson, Wendell, M.D.
 Levey, Teresa, Vice President, University Health System
 Looney, Kim Harvey, Esq., Waller, Lansden, Dortch & Davis
 Luchessi, Jane, Memorial Hospital
 Mack, John, M.D., University of Tennessee Medical Center
 Majors, Norman, Senior Vice President & CAO, University of Tennessee Medical Center
 Maples, Arthur, Director Strategic Analysis, Baptist Memorial Health Care Corporation
 McKinnely, Janice, Covenant Health
 McNally, Janice, Saint Thomas Health Services
 Merville, LaDonna, Hospital Alliance of Tennessee
 Minter, William, M.D.
 Moore, David, M.D.
 Newson, Adrian G.
 Nichols, Keith
 Nowiski, David A., CFO, Mercy Health Partners
 Nyiri, Jack, Vice Chair of Administration, Vanderbilt Center for Radiation Oncology
 Ockerman, Jeff, Director, Health Planning, Tennessee Department of Finance & Administration
 Otwell, Robert, CEO, Maury Regional Hospital
 Owens, Bill
 Penny, Linda, Comptroller's Office
 Pollard, Thomas, M.D., East Tennessee Cardiovascular Surgery Group
 Pope, Ron, Maury Regional Hospital
 Potter, Jeff, Partner, LBMC Healthcare
 Rankin, David, M.D., Southern Medical Group
 Richardson, Dan, Administrator, Cumberland Eye Care
 Richardson, Michael, Covenant Health Services
 Richardson, Scott, Esq., Boulton, Cummings, Connors & Berry
 Robinson, Marilyn S.
 Sattasiri, Michael, M.D., Maury Regional Hospital
 Sberna, Theresa, Planning Associate, Strategy Development, Vanderbilt University Medical Center
 Stephenson, Kate, Esq., Trauger & Tuke
 Sylvia, John B., Regional Director, Mercy Health Partners
 Taylor, Jerry W., Esq., Farris, Mathews, Branan, Bobango, Hellen & Dunlap, PLC
 Thomas, Gary, Vice President, Compliance & Accreditation, University of Tennessee Medical Center
 Thomas, David, Maury Regional Hospital
 Thompson, Ann R., RN, BSN, MBA, Director of Licensure, Tennessee Department of Health
 Tibbs, Jenny, M.D.
 Trauger, Byron R., Esq., Trauger & Tuke
 VanDeyne, Jan, MHP

HEALTH SERVICES AND DEVELOPMENT AGENCY

JULY 23, 2008 MEETING

- PAGE 2 -

Vonderfecht, Jim, Covenant Health
Wallace, Charles R., M.D.
Wellborn, John L., Consultant, Development Support Group
Willers, Jeff
Williams, Rita, Maury Regional Hospital
Wynn, Jack, Vanderbilt University Medical Center
Young, Charles, Esq., Kramer Rayson, LLP

Ms. Hill, Executive Director, called the meeting to order at 8:30 a.m. in Meeting Room 12 of Legislative Plaza, Nashville, Tennessee.

Mr. Morris was not present.

DIRECTOR'S ANNOUNCEMENTS

Melanie Hill, Executive Director, made general announcements and stated that at the August Meeting Patti Killingsworth, Assistant Commissioner, TennCare, Director of Long-Term Care will discuss the Long Term Care Community Choices Act; Jeff Ockerman, Director of Health Planning, Department of Finance & Administration will provide the Health Plan Update; and immediately following the conclusion of the meeting the Audit Committee will meet. Ms. Hill announced the first order of business to be the election of Chair and Vice-Chair.

Election of Chair

Ms. Hill opened the floor for nominations for Chair.

Dr. Caldwell nominated Mr. Koella for Chair, stating that Mr. Koella has done an excellent job the past two years and deserves another two years. Dr. Handorf seconded. Dr. Handorf ceased nominations. The motion CARRIED by unanimous voice vote [9-0-0].

AYE: Troy, Lammert, Caldwell, Atchley, Handorf, Weaver, Gaither, Jones, Koella
NAY: None

Election of Vice-Chair

Mr. Koella opened the floor for nominations for Vice-Chair.

Mr. Lammert nominated Dr. Handorf for Vice-Chair. Ms. Troy seconded. The motion CARRIED by unanimous voice vote [9-0-0].

AYE: Troy, Lammert, Caldwell, Atchley, Handorf, Weaver, Gaither, Jones, Koella
NAY: None

Mr. Koella congratulated Dr. Handorf as newly elected Vice-Chair and thanked Mr. Atchley for his service of leadership and guidance as former Vice-Chair for the Agency.

Mr. Morris arrived.

CERTIFICATE OF NEED APPLICATIONS

Mark Farber summarized the following CON applications:

Elite Sports Medicine and Orthopaedic Center - (Nashville, Davidson County) - Project No. CN0803-017

The acquisition of magnetic resonance imaging (MRI) equipment and the initiation of MRI services limited to patients of the physician practice. The project will be located at a satellite practice office on the first floor (suite number unassigned) of the Select Specialty Hospital building on the Baptist Hospital campus. No facility license is required. The project does not contain any other type of major medical equipment or initiate or discontinue any other health service. Project Cost \$1,596,694.00.

Jerry W. Taylor, Esq., representing the applicant, addressed the Agency. Burton Elrod, M.D. and Barbara Houchin, Executive Director, Saint Thomas Health Services spoke in support. Present in support of the project were: Rudolph Christopher Glettes, M.D.; David Moore, M.D.; Justin Lawson, Practice Manager; and John Wellborn, Consultant.

Dr. Handorf moved for approval of the project based on: 1) Need – The need is established on the basis of the growth and scope of the practice; 2) Economic Feasibility – The project is economically feasible through commercial loan; and 3) The project does contribute to the orderly development of adequate and effective health care as they are supported by the local hospital and they are a TennCare provider. Mr. Atchley seconded the motion. The motion CARRIED [10-0-0]. **APPROVED**

AYE: Morris, Troy, Lammert, Caldwell, Atchley, Handorf, Weaver, Gaither, Jones, Koella
NAY: None

Ms. Troy and Dr. Handorf recused

Saint Francis Hospital - (Memphis, Shelby County) - Project No. CN0803-023

The acquisition of a Cyberknife Stereotactic Radiosurgery System to be installed at the hospital's main campus. The Cyberknife is an alternative to, but not a replacement of the linear accelerator radiation oncology services already provided at the hospital, which services will continue to be provided. No inpatient beds are affected by this project. Project Cost \$6,651,513.00.

Kim H. Looney, Esq., representing the applicant, addressed the Agency. David Archer, CEO, and Jenny Tibbs, M.D. spoke on behalf of the project. Speaking in support were: Marilyn S. Robinson; James T. Galyon, M.D.; Charles R. Wallace, M.D.; and Margaret Gore, M.D. Present in support were: Timothy E. Kennelly, M.S.; Adrian G. Newson; and Donald E. Laughlin, COO, Saint Francis Hospital.

Mr. Jones moved for approval of the project based on: 1) Need – The applicant has demonstrated the need for this new technology; 2) Economic Feasibility – The project is economically feasible through cash reserves of the parent corporation; and 3) The project does contribute to the orderly development of adequate and effective health care. Mr. Lammert seconded the motion. The motion CARRIED [8-0-0]. **APPROVED**

AYE: Morris, Lammert, Caldwell, Atchley, Weaver, Gaither, Jones, Koella
NAY: None

Simultaneous Review:

Vanderbilt Health Services d/b/a Vanderbilt Maury Radiation Oncology, L.L.C. - (Spring Hill, Maury County) - Project No. CN0804-024; and Spring Hill Hospital - (Spring Hill, Maury County) - Project No. CN0804-031

Presentations

+Vanderbilt Health Services d/b/a Vanderbilt Maury Radiation Oncology, L.L.C. - (Spring Hill, Maury County) - Project No. CN0804-024

The establishment of an ambulatory surgical treatment center (ASTC), single specialty, limited to the initiation of megavoltage radiation therapy services. The facility is to be located at an unassigned parcel in the Parkway Business Center and street address is not yet assigned to the property. The project is for construction of a new freestanding facility and major medical equipment including the acquisition of a linear accelerator with Intensity Modulated Radiation Therapy (IMRT) capabilities and a computerized tomographic (CT) simulation scanner. Spring Hill Hospital, CN0804-031 has filed a simultaneous review of this project. Project Cost \$7,385,128.00.

Dan H. Elrod, Esq., representing the applicant, addressed the Agency. Robert Otwell, CEO, Maury Regional Hospital, Michael Sattasiri, M.D., Maury Regional Hospital, and Dennis Hallahan, Chairman, Vanderbilt University Department of Radiation Oncology spoke on behalf of the project. Present in support were: Ronald

W. Hill, Vice President, Strategic Development, Vanderbilt University Hospital; and Jack Nyiri, Vice Chairman for Administration, Vanderbilt Maury Radiation Oncology, L.L.C.

Jerry W. Taylor, Esq., representing Spring Hill Hospital opposed.

+Spring Hill Hospital - (Spring Hill, Maury County) - Project No. CN0804-031

The acquisition of a linear accelerator and the initiation of linear accelerator services at the approved hospital campus site. This project will not affect the approved fifty-six (56) bed complement, include any other type of major medical equipment or initiate or discontinue any other health service. This project was filed as a simultaneous review of Vanderbilt Maury Radiation Oncology, L.L.C., CN0804-024. Project Cost \$7,500,614.00.

Jerry W. Taylor, Esq., representing the applicant, addressed the Agency. James Gray, M.D., and Jim Farris, M.D., spoke on behalf of the project. John L. Wellborn, Consultant, was present.

Dan H. Elrod, Esq., representing Vanderbilt Maury Radiation Oncology, L.L.C. opposed.

Rebuttals

Mr. Elrod rebutted for Vanderbilt Maury Radiation Oncology.

Mr. Taylor rebutted for Spring Hill Hospital.

Summations

Mr. Taylor summated for Spring Hill Hospital.

Mr. Elrod summated for Vanderbilt Maury Radiation Oncology.

Motions

+Vanderbilt Health Services d/b/a Vanderbilt Maury Radiation Oncology, L.L.C. - (Spring Hill, Maury County) - Project No. CN0804-024

Ms. Troy moved for approval of the project based on: 1) Need – The need has been demonstrated. We have seen the numbers, and the population is growing, especially the elderly population and the medical therapeutic advantages of this have already been proven; 2) Economic Feasibility – The project is economically feasible; and 3) The project does contribute to the orderly development of adequate and effective health care as 85% of the population is currently being served. This expands their ability, and serving a more regional base program will allow for a nine county area to have access to these services. Mr. Lammert seconded the motion. The motion CARRIED [10-0-0]. **APPROVED**

AYE: Morris, Troy, Lammert, Caldwell, Atchley, Handorf, Weaver, Gaither, Jones, Koella

NAY: None

+Spring Hill Hospital - (Spring Hill, Maury County) - Project No. CN0804-031

Dr. Handorf moved for denial of the project based on: Need – The approval of Vanderbilt Maury Radiation Oncology, L.L.C. has satisfied the need for additional capacity. Ms. Troy seconded the motion. The motion CARRIED [6-4-0]. **DENIED**

AYE: Morris, Troy, Lammert, Atchley, Handorf, Gaither

NAY: Caldwell, Weaver, Jones, Koella

Plateau Eye Surgery Center - (Fairfield Glade, Cumberland County) - Project No. CN0804-025

The establishment of an ambulatory surgical treatment center (ASTC) limited to ophthalmic procedures for Cumberland Eye Care patients with one (1) operating room in leased space in an addition to be constructed in the Cumberland Eye Care building. Project Cost \$1,293,109.00.

M. Stewart Galloway, M.D. addressed the Agency on behalf of the project. Present in support of the project were: Dan Richardson, Administrator, Cumberland Eye Care; Ron Blair, President, Surgery Center Services of America; and John L. Wellborn, Consultant.

Mr. Lammert moved for approval of the project based on: 1) Need – There is a need in this rural community for this service for the purpose of providing greater patient convenience and more productive use of the clinical resources in the area; 2) Economic Feasibility – The project's economic feasibility is met through a commercial loan; and 3) The project does contribute to the orderly development of adequate and effective health care in Cumberland County. Mr. Atchley seconded the motion. The motion CARRIED [10-0-0].

APPROVED

AYE: Morris, Troy, Lammert, Caldwell, Atchley, Handorf, Weaver, Gaither, Jones, Koella

NAY: None

Mr. Atchley left meeting.

St. Mary's Health System, Inc. d/b/a St. Mary's Medical Center - (Powell, Knox County) - Project No. CN0804-027

The addition of thirty-six (36) acute care licensed inpatient beds on the campus of St. Mary's Medical Center North. Upon licensure of these beds, thirty-six (36) acute care beds will be delicensed from Baptist Hospital of East Tennessee. No other major medical equipment will be involved and no other health services are being proposed. Project Cost \$7,614,929.00.

Warren Gooch, Esq., representing the applicant, addressed the Agency and Debra K. London, CEO/President, Mercy Health Partners spoke on behalf of the project. The Honorable Joe Armstrong, State Representative, spoke in support. Present in support were: Jeff Potter, Partner, LBMC Healthcare; Jeffrey Ashin, CEO, Metro Division, Mercy Health Partners; David A. Nowiski, CFO, Mercy Health Partners; Jerry W. Askew, Sr. Vice President, Mercy Health Partners; and John B. Sylvia, Regional Director, Mercy Health Partners.

Mr. Jones moved for approval of the project based on: 1) Need – The need has certainly been demonstrated; 2) Economic Feasibility – The project is economically feasible as presented; and 3) The project does contribute to the orderly development of adequate and effective health care. Ms. Weaver seconded the motion. The motion CARRIED [9-0-0]. **APPROVED**

AYE: Morris, Troy, Lammert, Caldwell, Handorf, Weaver, Gaither, Jones, Koella

NAY: None

Baptist Hospital West - (Knoxville, Knox County) - Project No. CN0804-026

The initiation of open heart surgery services on the campus of Baptist Hospital West. Upon initiation of this service, open heart surgery services will be discontinued at Baptist Hospital of East Tennessee. This project will not increase or decrease any licensed bed complement, no other major medical equipment will be involved, and no other health services are being proposed. Project Cost \$1,225,245.00.

Warren Gooch, Esq., representing the applicant, addressed the Agency. David Rankin, M.D., Southern Medical Group, Malcolm Foster, M.D., East Tennessee Heart Consultants, and Thomas Pollard, M.D., East Tennessee Cardiovascular Surgery Group spoke on behalf of the project. Present in support were: Jeff Potter, Partner, LBMC Healthcare, Debra K. London, CEO/President, Mercy Health Partners, Jeffrey Ashin, CEO, Metro Division, Mercy Health Partners, William Minter, M.D., David A. Nowiski, CFO, Mercy Health Partners; Jerry W. Askew, Sr. Vice President, Mercy Health Partners; and John B. Sylvia, Regional Director, Mercy Health Partners.

Opposing the project were: Dan Elrod, Esq., representing Covenant Health; Jerry W. Taylor, Esq., representing University of Tennessee Medical Center; John Mack, M.D., Cardiologist; Parker Hardy,

Amended Page

President/CEO, Oak Ridge Chamber of Commerce; Tom Beehan, Mayor, City of Oak Ridge; Wendell Lawson, M.D.; Mike Belbeck, Methodist Health Care; and Teresa Levey, University of Tennessee Medical Center

Mr. Gooch and Dr. Pollard rebutted for the applicant.

Mr. Elrod summated for the opposition.

Dr. Rankin summated for the applicant.

Mr. Jones moved for approval of the project based on: 1) Need – The need is established based on loss of the service at Baptist Hospital that was closed downtown and by the numbers given; 2) Economic Feasibility – The project is economically feasible; and 3) The project does contribute to the orderly development of adequate and effective health care by adding the cardiology staff to this hospital. Mr. Lammert seconded the motion. The motion CARRIED [6-2-1]. **APPROVED**

AYE: Morris, Lammert, Weaver, Gaither, Jones, Koella

NAY: Troy, Handorf

ABSTAINED: Caldwell

GENERAL COUNSEL'S REPORT

Radiology & Diagnostics, PLC - (Murfreesboro, Rutherford County) - Project No. CN0606-040

Request for a change of site within 2000 feet of the originally planned location, a reduction of the project cost by \$486,096 from \$6,240,868 to \$5,754,772 and an eighteen (18) month extension of the expiration date from November 1, 2008 to May 1, 2010. This project was approved at the September 27, 2006 meeting for the establishment of an outpatient diagnostic center (ODC) and the relocation of an existing magnetic resonance imaging (MRI) service (as approved in CN0305-035A) from 1102 Dow Street to 1350 Gateway Boulevard. The ODC will provide MRI, CT and other diagnostic services in 9,806 SF leased space in a medical office building under development. MRI service will be discontinued at 1102 Dow St, Murfreesboro (Rutherford County), TN. Project Cost \$6,240,868.00.

Byron Trauger, Esq., representing the applicant, addressed the Agency. Deborah Winter, M.D. was present on behalf of the project.

Ms. Troy moved for approval of the request for a change of site within 2000 feet of the originally planned location, a significant reduction of the project cost by \$486,096 from \$6,240,868 to \$5,754,772 and an eighteen (18) month extension of the expiration date from November 1, 2008 to May 1, 2010. Dr. Handorf seconded the motion. The motion CARRIED [9-0-0]. **APPROVED**

AYE: Morris, Troy, Lammert, Caldwell, Handorf, Weaver, Gaither, Jones, Koella

NAY: None

OTHER BUSINESS

- A. Health Plan Update: Jeff Ockerman, Director of Health Planning, Department of Finance & Administration discussed the status of development of a state health plan at the Department of Finance & Administration.
- B. Conflict of Interest Forms were distributed to Agency members. Ms. Hill requested the members to review and sign the Conflict of Interest Policy.

MINUTES

The minutes of the June 25, 2008, meeting were accepted by unanimous voice vote.

ADJOURNMENT

There being no further business, the meeting adjourned.

Melanie M. Hill, Executive Director

MMH/mab